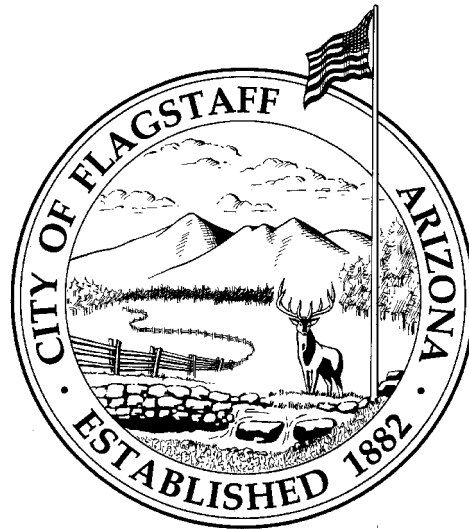


**ANNUAL FINANCIAL PLAN
OF THE
CITY OF FLAGSTAFF, ARIZONA
FISCAL YEAR 2002-2003**



JOSEPH C. DONALDSON
MAYOR

LIBBY SILVA
VICE-MAYOR

KAREN K. COOPER
COUNCILMEMBER

AL WHITE
COUNCILMEMBER

JOSEPH P. HAUGHEY
COUNCILMEMBER

ART BABBOTT
COUNCILMEMBER

PENNY TROVILLION
COUNCILMEMBER
(Resigned July 1, 2002)

KARA M. KELTY
COUNCILMEMBER
(Appointed July 29, 2002)

DAVID W. WILCOX
CITY MANAGER

JERI DUSTIR
DEPUTY CITY MANAGER

JAMES S. WINE
DEPUTY CITY MANAGER

MARY JO JENKINS
MANAGEMENT SERVICES DIRECTOR

BARBARA GOODRICH
BUDGET AND FINANCE MANAGER

MATT PAVICH
POLICE LIEUTENANT/O.D. MANAGER

RICK TADDER
ACCOUNTANT II

BETH BEAUREGARD
ACCOUNTANT II

LAURA PARKER
FINANCE SECRETARY

NANCY BERNARD
PAYROLL SPECIALIST

NANCY MIGUEL
ACCOUNTANT I

DEBBIE NICHOLS
ACCOUNTANT I

MARYELLEN PUGH
ACCOUNTANT I



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Flagstaff
Arizona**

For the Fiscal Year Beginning
July 1, 2001

Samuel D. Brown
President

Jeffrey R. Egan
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Presentation Award to the City of Flagstaff, Arizona for its annual budget for the fiscal year beginning July 1, 2001. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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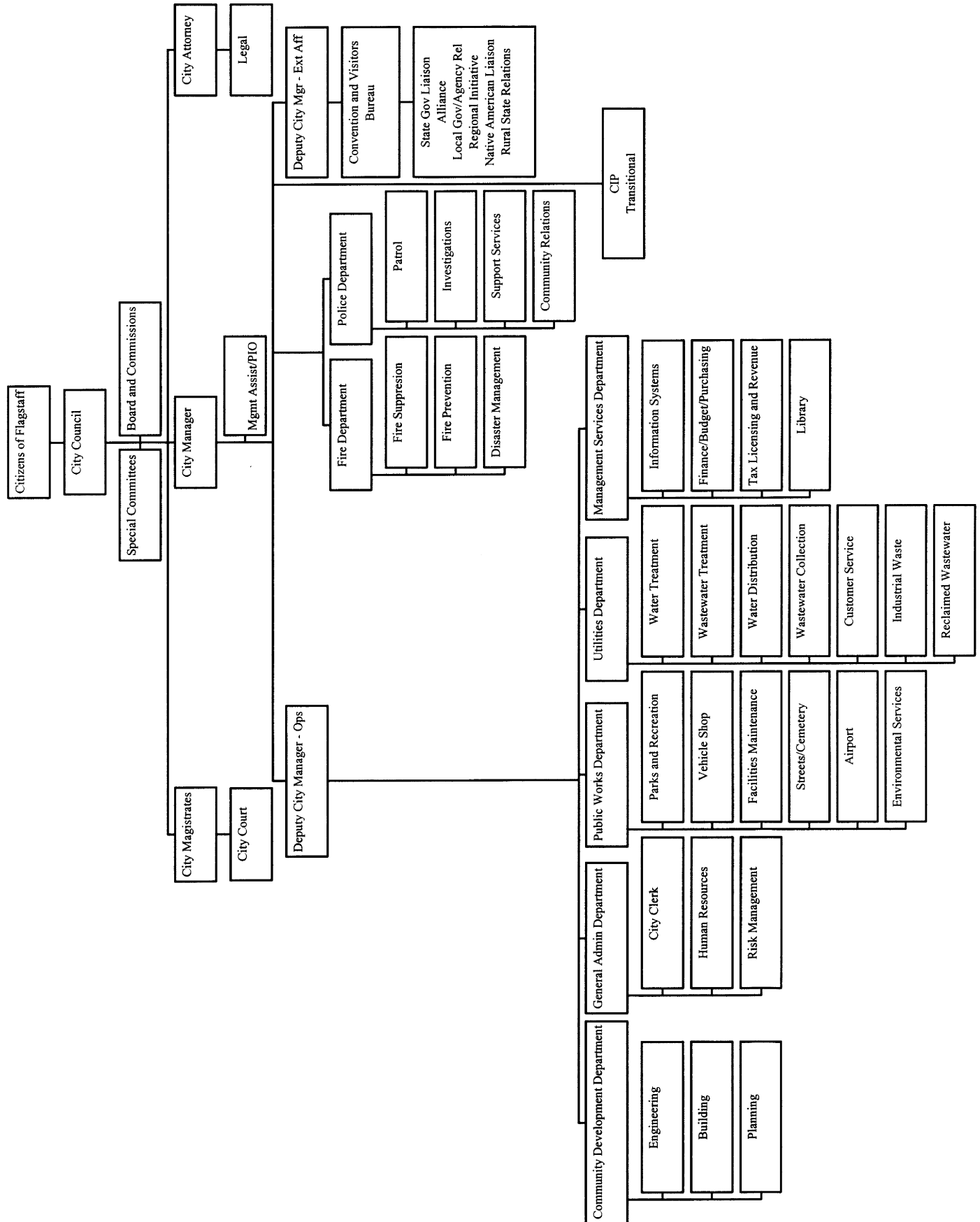
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City of Flagstaff



City Council

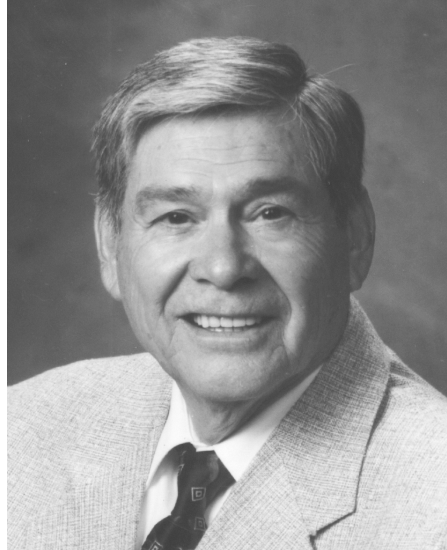


Mayor Joseph C. Donaldson

Even under the limitations set by a projected shortfall in various State revenues, this budget as developed by the City Manager and his capable staff accomplished the task of sorting through the mountain of needs and prioritizing those to least impact expected community services. The resulting budget reflects Mayor and Council directives to the City Manager, Dave Wilcox, through the goals and objectives as developed by the Mayor and Council in 2002.

Some of the most significant highlights of the budget are those expenditures that move Flagstaff to economic growth and sustainability as well as environment preservation and protection. It is a delicate balance indeed. Towards that balance, the budget maintains the City as a competitive employer and recognized as committed public servants while maintaining fiscal health through a planned long term balancing of revenue sources and expenditures. Other highlights of the budget continue to move along much needed community approved projects such as the construction of a new branch library at the Coconino Community East Campus, completion of Foxglenn Park, and various urban trail projects.

This budget continues to move our community into the Vision 2020 we spent so many hours developing.



Vice-Mayor Libby Silva

While much work was done on the budget to assure that all community needs were met, due to some State Revenue Sharing cuts, there were still some items that had to be cut or delayed for another day. However, I am pleased that we were able to avoid employee layoffs, helped compensate for higher health insurance costs, and we provided a small salary increase to city employees.

I give city staff a lot of credit for taking the Council's priorities and outling them in such a way that made it easier to evaluate the budget process.

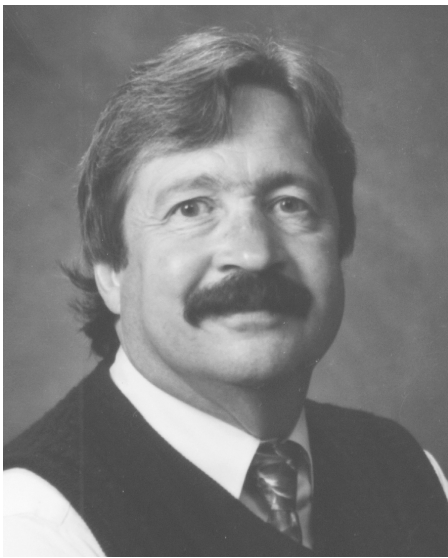
Councilmember Karen K. Cooper

When voters approved Flagstaff's Regional Land Use Plan last May, a giant step was accomplished for Flagstaff's future. The Plan lays a firm foundation for insuring that Flagstaff continues to be a good community in which to live and work in the years to come.

Your City Council's adopted goals for affordable housing, job development, public safety, planned growth and quality of environment are contained within the plan, with specific strategies for each. The Council's goals also recognize the need for customer service, efficient organization, collaborative efforts and fiscal responsibility.

Our 2002-03 budget supports the Council's direction. We will do our best to make the most of our resources in the year to come.





Councilmember Al White

Common themes I hear from you, the voters, I believe are reflected in our budget plans for this year. You have asked for planned growth, you have encouraged economic diversity while not ignoring our base economy. You have demanded public safety. You would like open space consideration throughout our City as well as recreation amenities. You have asked us to try and bridge the gap in affordable housing.

A review of this year's budget shows work programs and financial allocations toward all these things. Short-term economic boosters are considered alongside long-term redevelopment plans. Open space funding, while just a fraction of what we need, is included in the budget. What we will present to you in the near future is the opportunity to tell us how to accomplish the results over the coming years.

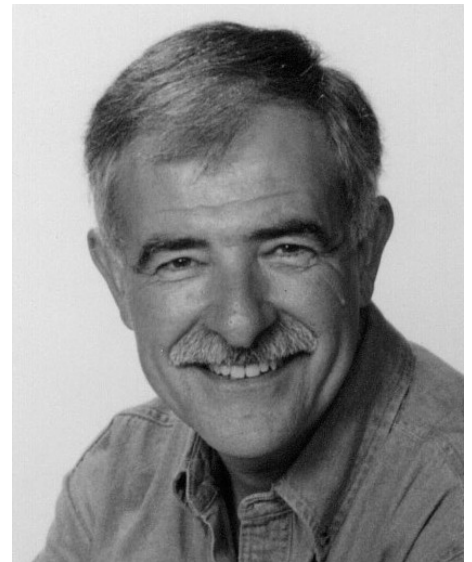
This Council is dedicated to the frequent review of these goals. As always I welcome your involvement and look forward to hearing from you all.

Councilmember Art Babbott

Sitting in on the FY 2003 budgeting process was a very educational and enlightening experience. Due to fiscal mismanagement at the State level, Flagstaff's portion of State shared revenue was reduced for this fiscal year. In the final process, the Council assessed the value of a variety of funding requests. The Council continued to focus its fiscal expenditures on the 10 priority Council objectives: Affordable Housing, Economic Development, Capital Improvements, Public Safety, Customer Service, Quality of Life, Fiscal Health, Organizational Support, Collaboration, and Planning for Growth.



Perhaps the most satisfying aspect of the process from my perspective related to the Council restoring funds to Affordable Housing initiatives and approving a 5% market raise for City employees. Cost of living increases are continuing to outpace wages in Flagstaff and the people who live and work in Flagstaff should be paid what it costs to live here. To all City Employees: Thank you for your hard work and dedication!



Councilmember Joesph P. Haughey

As a newly elected Councilmember, I made the commitment during the campaign to attend the Budget Retreats and Work Session. They were very informative as each department head gave a presentation outlining accomplishment from the last year and their goals and objectives for the coming year.

In the light of the anticipated short-falls in revenues for next year, our goal was to retain the services the Community has come to expect. This next budget retains those services and arranged that no City employee would be laid off. We will work together and continue to make Flagstaff a great town to live in.



Councilmember Kara M. Kelty
Appointed July 29, 2002
City of Flagstaff, AZ

USERS GUIDE

The budget document serves a myriad of purposes. Most important is its use as a communications device. The budget presents the public an opportunity to review the types of services and level of service provided within the financial constraints of the community. The allocation of financial resources translates into what services will be provided to the community. As community needs and demands for service change, the allocation of resources should respond accordingly. Therefore, this document attempts to communicate financial information to allow for informed citizenry.

Transmittal - The City Manager's message and Budget Summary provides readers with a synopsis of the resource allocation priorities established by the City Council for fiscal year 2003.

Budget Overview - The *overview* provides an overview of the key policy issues, priorities and strategies which shaped the fiscal year 2003 budget, the budget process fiscal policies, revenue assumptions, and expenditure highlights.

Issues and Updates - Excerpts from the Council Review and Discussion Book used during the two weeks of study sessions discuss specific Council decision/directions impacting the prior and current fiscal year budgets.

Financial Summaries - The *schedules* consolidate the major financial information and operating data elements. Several schedules also serve to meet state statutory reporting requirements. The *expenditure summaries* are used primarily for operational purposes, e.g., monitoring expenditures at a fund level and at a category level, and maintaining accountability at a department level, with managers accountable at the cost center level.

Department Detail - Each operating *Division Summary* provides a description, goals and objectives, major accomplishments of fiscal year 2002, performance indicators, expenditure history and budget, commentary on significant changes, and sources of funding.

Capital Improvements - The current year portion of the five-year *capital improvement program* is listed, along with location maps and funding source. A more detailed project-planning sheet is available in the separately published five-year Capital Budget and Capital Improvement Plan.

Community Profile - The *profile* provides background information so that the budget can be viewed in the context of the factors that shape and affect budget decisions, priorities, and financial parameters within which the community operates. Also provided are select statistical tables providing historical trend information on tax rates, expenditures, and assessed valuations of property.

Appendix - In the *appendices* the user will find a glossary of budget terminology, ordinances/resolutions adopting the levies and budget, a summary of authorized personnel/positions by department, the city pay plan, and a summary of the cost allocation basis. Please.

For additional information, please call the Finance and Budget Office directly at (928) 774-5281 extension 323. This budget document may also be view on the City of Flagstaff website, www.flagstaff.az.gov in Adobe Acrobat Reader format.